

Single Security Initiative Conference

March 4th, 2019

Sheraton New York Times Square



Fannie Mae



Freddie Mac

GOLD PC EXCHANGE UPDATES

SPEAKERS



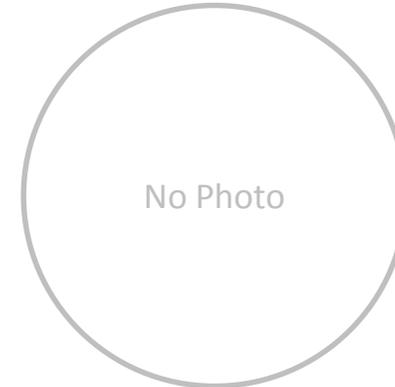
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Freddie Mac Exchange



Fannie Mae



Freddie Mac

Freddie Mac's Exchange Program offers PC holders entry into the new UMBS market

- Freddie is targeting **May 7th** to open up Exchange program
- Holders of Freddie Mac fixed-rate 45-day PCs/Giants will have the option to exchange for 55-day UMBS/Supers (or FRE MBS for non-TBA) **~70,000 mirror securities** are issued
- 2 exchange options- **Dealer** facilitated and direct to Freddie via **Tradeweb**
- Most elements of the new UMBS or Supers will exactly match those of the 45-day PC being exchanged – and they will be backed by the **same cash flows**
- **Float comp price grid is out-weekly** now and move to daily in 2Q
- Investors have a variety of available tools and published information to help them get ready
 - Preliminary Exchange Offer Announcement
 - Outside Counsel letter on '40 Act Funds and free-of-payment exchange
 - Indicative Price Grid and Float Compensation Calculator

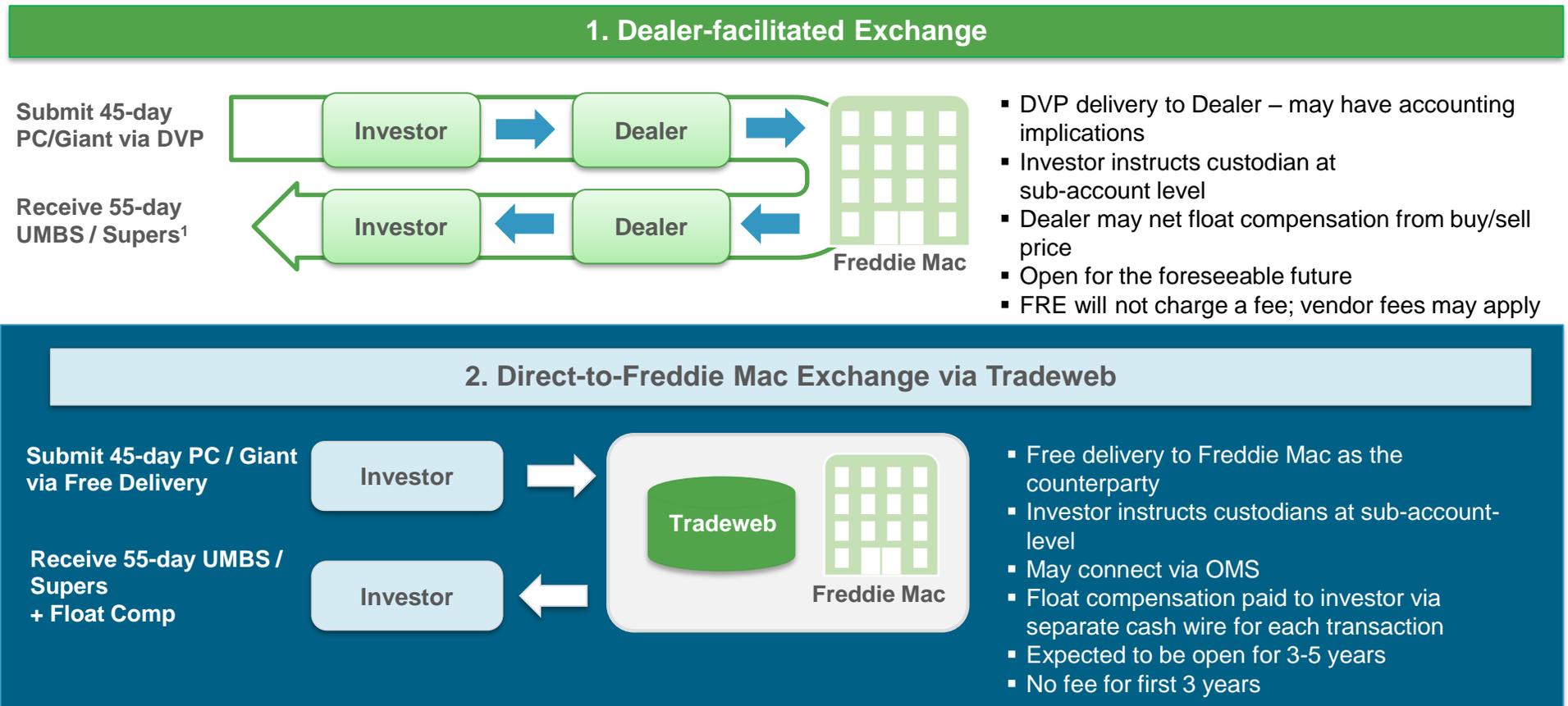
Objectives

- Provide Gold PC investors entry into the new, more liquid UMBS TBA market
- Above all “do no harm” – provide an option, not a requirement
- Make the option available whenever investors are ready – and keep open for the foreseeable future
- Provide fair compensation for the additional 10 days' delay in P&I payments
- Make the process as seamless as possible



Investors have two Exchange Paths to choose from:

- Freddie Mac will offer two exchange paths; the original path facilitated by Freddie Mac authorized dealers, through Freddie Mac's Dealer DirectSM, and the more recently developed second path with a "trade-like" approach, via Tradeweb.
- The exchange window opens May 7, 2019 for settlement beginning on May 17, 2019.**



¹Float compensation may be netted out of price by dealers.



Available Exchange Disclosures

- Initial mirror issuance is complete; however, Freddie Mac will continue issuing new mirrors for new Gold PCs that are issued up to go-live.
- Mirror securities appear on our Daily New Issue File as they are issued, though they won't trade in the market until the exchange window opens in May 2019.
- Freddie Mac will publish new exchange-related disclosures, described below;

Disclosure/File	Description
Daily 45-Day to 55-Day Exchange Activity	Information on all exchange transactions on the preceding business day, including original par exchanged and the CUSIPS and security identifiers of the 45- and 55-day securities
Cumulative 45-Day to 55-Day Exchange Activity	Information on all exchange activity to date for all exchange-eligible PCs; this report is live now and market participants can map 45- and 55-day securities and cohorts
Aggregate Level 1 Collateral Exchange Activity	All exchanges to date at their lowest PC collateral-level, to help market participants calculate supply and prepayments
Outstanding Supply Report	Monthly table of available supply of 45- and 55-day securities on a cohort level to facilitate trading



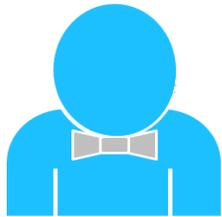
Float Compensation

- Freddie Mac will provide approximate fair value compensation to investors for the additional 10 days of delay in receipt of payments.
- Freddie Mac is currently posting an Indicative Price Grid *weekly* that shows compensation by coupon and cohort, and allows for potential payups for certain characteristics (e.g., high FICOs, low loan balance). These Price Grids are automatically updated in our Float Compensation Calculator which will help investors preview the float compensation for specific securities that they upload into the calculator. Indicative Price Grids will be posted *daily* once the exchange offering window opens.
- The IRS did **not** rule on the taxability of the associated float compensation payment. Freddie Mac will treat the float compensation payment as a tax-free adjustment to the security basis. Freddie Mac is not dictating to investors how they must treat the payment.
- **Investors interested in the Gold PC exchange are strongly encouraged to speak with their own tax advisors to determine how they will treat the float compensation.**



Float Compensation – Indicative Price Grids

- The Price Grids, Float Compensation Calculator and additional tools can all be found on the Gold Exchange website at: <http://www.freddiemac.com/mbs/exchange/>
- Payment rates will be expressed in ticks, with the cash payment calculated as the payment rate multiplied by the UPB of exchanged securities.



Investor

For example: an investor interested in a 15 year, 5% coupon security could use the Price Grid to see that Freddie Mac is paying **2.50** ticks of float compensation on the UPB exchanged.

Version 64
 Effective Start Date/Time 02/27/2019 10:36 AM
 Effective End Date/Time

Exchange Float Compensation Pricing

Base Grid

Term	Coupon	Price in Ticks	Incentive in Ticks
15	2.5	2.375	0.000
15	3.0	2.375	0.000
15	3.5	2.500	0.000
15	4.0	2.500	0.000
15	4.5	2.500	0.000
15	5.0	2.500	0.000
15	5.5	2.500	0.000
15	6.0	2.500	0.000
15	6.5	2.500	0.000

Float Compensation – Float Compensation Calculator

- The Data Inputs are *simple* on the Float Compensation Calculator... just input the pool number, CUSIP, and original par and the calculator will return the current factor, float compensation in ticks and the float compensation in dollars.



Investor

For example: the same investor inputs the CUSIP and pool number of the 15 year, 5.0% coupon security and the \$9MM of original face he manages.

The investor learns that Freddie Mac will pay \$11.90 in float compensation on this position. The calculator can be used with multiple CUSIPs and provide float compensation for an entire portfolio as well.

Exchange Float Compensation Calculator

Over All Status Success [1]

Total Fair Value (\$) \$11.90

Total Incentive (\$) \$0.00

Total Float Compensation (\$) \$11.90

Price Grid Version
Price Grid Effective Date
Factor Date

Freddie Mac is providing this tool to aid investors in calculating an estimate of "float compensation," which will be paid in consideration of 10 days of interest that they would receive as part of acceptance of an exchange offer for certain 45-day delay securities. The results represent only an estimate of "float compensation" be available until an exchange of eligible 45-day delay securities is effected by the holder of the securities through Freddie Mac's Dealer Direct online portal and the applicable exchange transaction is settled. When the exchange offer is open, please work with a Freddie Mac approved dealer to effect your exchange of eligible calculation tool does not constitute an offer to sell or exchange any securities of Freddie Mac or any other issuer

45 Day Securities to Deliver (Data Input)			Term (Yrs)	Coupon	55 Day Securities to Be Received		Pricing Information										
Pool Number	CUSIP	Original Par (\$)			Pool Number	CUSIP	Factor	Base (Ticks)	Loan Bal (Ticks)	FICO (Ticks)	LTV (Ticks)	WALA (Ticks)	Total Fair Value (Ticks)	Fair Value (\$)	Incentive (Ticks)	Incentive (\$)	Total Float Comp (\$)
G18002	3128MMAC7	9000000	15	5.000	ZS8131	3132A9A80	0.00169212	2.500	0.000	0.000	0.000	0.000	2.500	11.90	0.000	0.00	11.90



Fannie Mae



Tradeweb Demo

Brian Devers

Director

Rates Product Development



Fannie Mae



Freddie Mac

Direct-to-Freddie Overview

FAQ	Options	Comments
How do I enter exchanges into Tradeweb?	<ul style="list-style-type: none"> • Manual • Cut & Paste • FIX messages 	
Exchanges are at the allocation level, what are my options?	<ul style="list-style-type: none"> • Pre-allocated • Post-allocated 	<ul style="list-style-type: none"> • Tradeweb has connectivity with DTCC ALERT for obtaining settlement instructions • Tradeweb/Freddie code = FREX • Tradeweb is developing connectivity with DTCC OASYS for post trade
Where can I see the float comp and exchange ID?	<ul style="list-style-type: none"> • STP Flat File • Exchange report (emailed file) • FIX Allocation message 	<ul style="list-style-type: none"> • Flat file and Exchange report CAN be used in conjunction with FIX

Manual Entry

■ Pre-Allocated

Account	CUSIP	ORIGINAL FACE	PRICE	SETTLEMENT
1000-01	3128MMAC7	1,000,000		3/15/2019
1000-02	3128MMAC7	1,000,000		3/15/2019
1000-03	3128MMAC7	1,000,000		3/15/2019

■ Post-Allocated

# Allocations	CUSIP	ORIGINAL FACE	PRICE	SETTLEMENT
3	3128MMAC7	3,000,000		3/15/2019





POST TRADE OPTIONS

■ Flat file

OUTRIGHT	FREX	2/13/2019	6	TW1	Accepted	3128MMAC7	FG G18002	2/19/2019		14:22:20	SELL	1000000	101.6054688	0	0	2184.4	2189.77	0.000537	5.37	0	Brian Devers	Ridgewood			0	0	0	0	0	0
OUTRIGHT	FREX	2/13/2019	6	TW1	Cancel-brk	3128MMAC7	FG G18002	2/19/2019		14:22:20	SELL	1000000	101.6054688	0	0	2184.4	2189.77	0.000537	5.37	0	Brian Devers	Ridgewood			0	0	0	0	0	0
OUTRIGHT	FREX	2/13/2019	6	TW1	Accepted	3128MMAC7	FG G18002	2/19/2019	10	14:22:20	SELL	1000000	101.6054688	0	0	2184.4	2189.77	0.000537	5.37	1	Brian Devers	Ridgewood		112233	0	0	0	0	0	0

■ Exchange Report Email

Account	45D CUSIP	Original Face	Price	Settle Date	55D CUSIP	Float Comp	Exch ID	List ID	User	Booking Date	Booking Time	Internal Note	Factor
10	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112233	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
11	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112234	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
20	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112235	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
21	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112236	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
22	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112237	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
23	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112238	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
24	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112239	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
25	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112240	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997
26	3128MMAC7	1,000,000	100	2/22/2019	3132A9A80	\$ 1.32	112241	bdevers_216.2018.09:33:12	bdevers	2019/02/21	10:46:31	FREX test note	0.02997

